

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

MAIL PROCESSING NETWORK RATIONALIZATION
SERVICE CHANGES, 2011

Docket No. N2012-1

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
ELMORE-YALCH TO PRESIDING OFFICER'S INFORMATION
REQUEST No. 9, QUESTION 1, AS AMENDED BY
TR. VOL. 12 AT 4501**

The United States Postal Service hereby files the following response to Question 1, submitted as part of Presiding Officer's Information Request No. 9, dated May 31, 2012, and amended at Tr. Vol. 12 at 4501 (June 28, 2012). The response includes a text description (attached to this PDF) and six SPSS files (which are also being emailed to the Commission for possible posting as a zip file.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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ON BEHALF OF THE UNITED STATES POSTAL SERVICE.

POIR9, Question 1: The following Consumer Volume Forecast was generated by following the respondent inclusion rules described in witness Elmore-Yalch's response to POIR No. 4, question 7. Library Reference PRC-LR-N2012-1/1 contains the dofile written to produce the figures seen in the table below. Please explain the discrepancy between the table below and Figure 47 appearing in witness Elmore-Yalch's testimony, USPS-T-11, at 52.

Product	Consumer Volume Forecast (PRC)			
	Total Volume Sent—Current FCM Standards (A)	Total Volume Sent—New Standards Adjusted (B)	Change in Volume (C)	% Change in Volume (D)
First-Class Mail	64,328	63,335	-993	-1.57%
Priority Mail	2,937	2,968	31	1.06%
Express Mail	2,511	2,302	-209	-8.31%
Total Mail Volume	69,776	68,605	-1171	-1.68%

[Further elaboration on POIR9 Question 1 appears in Tr. Vol. 12 at 4501:]

Will the ORC please provide for the Commission a commented executable program files that replicate the results presented in your testimony and that can be run using the data that you've already submitted in Library Reference No. 1 for the consumer, small and home-based business and large businesses? In addition, please provide the associated log files.

RESPONSE:

ORC International originally provided three data files submitted as USPS-LR-N2012-1/NP1 which contained all variables used for the calculations of percentage change in volume for each USPS product as a result of proposed changes to First-Class Mail service standards.

In response to POIR No. 1, Question 18a and POIR No. 4, Question 10, ORC International provided additional information regarding the handling of missing data.

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In response to POIR No. 7, ORC International provided three data files with additional variables requested by the Presiding Officer in order to conduct its own analysis of the data. ORC International provided these files along with clear instructions as to how to merge the data from these files with the data originally provided as part of LR-N2012-1/NP1. Failure to merge files correctly would result in a misalignment of data at the respondent level which would have a significant impact on the results.

On June 14, 2012, the Presiding Officer issued POIR No. 9, Question 1, asking ORC International to review an executable (STATA) program file developed specifically for the Consumer data file and apparently developed by PRC staff to identify differences in the outputs associated with the PRC analysis from those developed by ORC International. I described the challenge we had in attempting to respond to this question (Tr. Vol. 12 pp. 4482-84), indicating that the PRC staff analysis appears to be using a different number of respondents than ORC International uses due to a difference in how rules for missing data were applied. We understood that our informal request for the respondent identification numbers from the consumer data file included in the PRC analysis had led to a plan for a technical conference in which we could further clarify where the differences in the executable program files arise. Our further review of the consumer file clearly indicates that the analysis conducted by Commission staff is using a different number of respondents (n = 961) than that used by ORC International (n = 867).

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In the spirit of cooperation and with an expectation of providing additional explanation, documentation and backup materials, the Postal Service and ORC International planned to conduct a technical conference on June 29, 2012; this plan was made after informal contact with, and what was thought to be the concurrence of, the Commission's General Counsel. Instead, during the hearing on June 28, 2012, I was asked to provide executable program files that document the steps ORC International undertook to create the Postal Service forecasts of changes in volume based on the proposed changes to First-Class Mail service standards.

In response to POIR No. 9, Question 1, as amended in Transcript Volume 12, ORC International and the Postal Service are now providing:

1) Large Commercial Accounts: The same questionnaire was used for all National, Premier and Preferred customer segments (USPS-T-11, pp. 89-115).

We are providing the following:

a) POIR9_Large_Commercial.sps: This file is an executable program file created in SPSS that clearly documents the steps used to create the variables necessary to compute the percentage change in volume resulting from the proposed changes to First-Class Mail service standards.

b) POIR9_Large_Commercial.sav: This data file includes all of the original data contained in LR-N2012-1/NP1 as well as the additional variables provided in response to POIR No. 7. ORC International is providing this file to ensure that Commission staff are using a data file that

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correctly appends the needed additional data to the original data (*i.e.*, to ensure that respondent IDs are correctly matched).

2) A separate questionnaire was used for Small and Home-Based Businesses (USPS-T-11, pp. 116-138). We are also providing two files in response to POIR No. 9, Question 1, as amended, regarding small and home based businesses.

a) POIR9_Small_Home_Based_Business.sps. This file is an executable program file created in SPSS that clearly documents the steps used to create the variables necessary to compute the percentage change in volume resulting from the proposed changes to First-Class Mail service standards. This file also includes the calculations used to compute the weight that is applied to the Small Business forecasts; the variable name for small business weighting is BIZSIZE. Failure to apply this weight will result in significant differences in final results. There is no weighting for the Home-Based Business segment.

b) We are also including a data file (POIR9_Small_Home_Based_Business.sav) that provides all of the variables necessary to analyze the data. As with the commercial data files, this file includes all of the variables included in LR-N2012-1/NP1 as well as the additional variables provided in response to POIR No. 7.

3) The final files provided in response to POIR9, Question 1, as amended, for the consumer data include:

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a) POIR9_Consumers.sps. This file is an executable program file created in SPSS that clearly documents the steps used to create the variables necessary to compute the percentage change in volume resulting from the proposed changes to First-Class Mail service standards. This file also includes the calculations used to compute the weight that is applied to the consumer data; the variable name is WT_FINAL and tis weight must be applied.

b) We have also included a data file (POIR9_Consumers.sav) that provides all of the variables necessary to analyze the data. As with the large commercial accounts and small business data files, this file includes all of the variables included in LR-N2012-1/NP1 as well as the additional variables requested in response to POIR No. 7.

ADDENDUM:

In the process of preparing this response, we discovered an error in the forecast for consumers that served to increase consumers' apparent response to changes in First-Class Mail service standards. We identified an error that caused the correspondence volume after the proposed changes to First-Class Mail service standards to be excluded for some respondents. This error affects the percentage change in volume after the change from the original presented to the Postal Service. The differences are reported below.

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Consumer Volume Forecast—Original Estimate (USPS-T-11, page 52)				
Product	Total Volume Sent—Current Standards	Total Volume Sent—New Standards	Change in Volume	% Change
First Class Mail	72,411	63,621	(8,790)	-12.1%
Priority Mail	4,291	3,526	(766)	-17.8%
Express Mail	2,953	2,532	(422)	-14.3%
Total Volume	79,656	69,679	(9,977)	-12.5%
Consumer Volume Forecast—Corrected Estimate				
First Class Mail	72,411	70,903	(1,508)	-2.1%
Priority Mail	4,291	4,239	(52)	-1.2%
Express Mail	2,953	2,740	(213)	-7.2%
Total Volume	79,656	77,882	1,774)	-2.2%

As this analysis shows, the inclusion of the additional correspondence volume in the after estimates has the effect of decreasing the actual volume change in the before versus after scenarios. This change further supports the overall finding that change to First-Class Mail service standards is likely to have minimal to no impact on volume.

This error is corrected in the executable program and data files provided in response to POIR 9, No. 1.

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With this response, the Postal Service and ORC International understand they have provided all the materials requested in response to POIR #9 and all previous POIRs relating to the market research.